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Growing Alaska Through Responsible Resource Development

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Senate Resources Committee on SB 138

Feb. 19, 2014

Testimony of Rick Rogers, Executive Director, Resource Development Council

Good evening madam chair and members of the committee. My name is Rick Rogers, Executive Director of the Resource Development Council. RDC is a statewide business association representing forestry, oil and gas, mining, tourism, and fishing industries. Our mission is to grow Alaska through responsible resource development. RDC supports policies aimed at increasing the commercial viability of developing Alaska's natural gas resources.

Alignment and Durability, two words that are used so much in resource policy deliberations that perhaps they become cliché. But if we are going to move forward in monetizing north-slope gas, these are both essential.

The "Heads of Agreement" aligning the interests of the three major North Slope producers (ExxonMobil, BP and ConocoPhillips), TransCanada, the State administration and the State-owned Alaska Gas line Development Corporation (AGDC) is a major step forward. This represents unprecedented alignment of interests in moving forward in developing this world-class gas resource for both in state use and export. Getting the producers, the State and TransCanada on the same page is unprecedented. With the recent announcement of the Heads of Agreement, we can see a path forward to a single project involving the producers, TransCanada and the state through a newly formed subsidiary of AGDC.

Unlike oil, LNG is sold on long-term multi-decade contracts. An LNG project will require durable and predictable fiscal terms, and the heads of agreement and authorizing SB138 provides for a stepped approach forward in defining the state's participation including fiscal terms and a corresponding equity interest.

As Alaskans we need to have a serious and deliberate conversation about Alaska's role in such a project. SB138 will require lots of work and analysis and I am impressed with the deliberate due diligence this committee is undertaking. We need to carefully weight the risks, the rewards with a realistic eye on the need to compete globally with dozens of other jurisdictions and projects hoping to secure project backing.

Rick Rogers, RDC

Testimony to Senate Resources, on SB138, February 19, 2014

Without question the most beneficial gas line project for Alaskans is a large capacity line sanctioned by the producers in partnership with the State. Fundamental project economics, largely out of our control, will dictate whether this project ever gets constructed.

To have any hope for monetizing gas, we must maintain a robust oil industry on the slope. Oil pays the bills and supports the vast and complex infrastructure on the North Slope needed to produce gas. If we fail to defeat the ballot referendum repealing SB21 in August, we signal to the producers and the world that we lack the long-term vision essential in developing our gas resources.

RDC believes alignment of interests; durable agreements including fiscal terms; and maintaining a vibrant competitive oil industry are vital to gas line development. The deliberate stepped approach to moving this project forward with an eye towards alignment and durability is our best hope for an economically viable large capacity LNG project. We also need to weigh the project risks against the risks of failure to monetize our gas.

We encourage the committee to continue with its due diligence and to pass enabling legislation this session, recognizing that this is a stepped approach with further legislative decision points and off ramps down the road as the project matures.

Thank-you for the opportunity to testify.